

23rd Parliamentary Intelligence-Security Forum
106 Dirksen Building – United States Senate - Washington, D.C.
December 6 - 7, 2022
Session Illicit Finance (10:45 – 12:00) on December 6

Thank you for the floor.

My name is Andreas Frank.

In my first life, I was a banker with Goldman Sachs and HSBC.

For more than 25 years, I serve as an AML/CFT expert for various institutions such as the Bundestag, Council of Europe and the European Parliament.

The common denominator of most serious crimes are illicit financial flows that must be laundered to be used.

Some of the serious crimes like trafficking and corruption will be discussed at this forum.

Hundreds of billions of Euros from Russia were laundered in the EU under the control of the FSB with the help of EU banks according the 2019 Council of Europe resolution 2279.

Money laundering on this scale is a serious threat to democratic stability, the rule of law and human rights according to the CoE.

The fast-changing geopolitical situation requires a reassessment of the fight against illicit financial flows.

Since the turn of the century autocracies successfully wage a hybrid or asymmetric war against the democracies as Ambassador John Bolton explained this morning.

Democracy and its values are in free fall.

Citizens distrust their governments.

Demographics, political polarization, debt to GDP ratios, climate change, migration are further destabilizing factors.

Already 2/3 of the world population live in autocracies.

The autocracies Russia and China are nuclear powers.

Conventional military options are limited.

The best non-conventional weapon against the autocracies' aggressions would be the enforcement of an effective AML/CFT and sanction regime.

There are good arguments that the war in Ukraine could have been prevented.

The use of money as a weapon does not cause collateral damages.

With the foundation of the FATF in 1989, the G-7 had decided to confront the threat from illicit finance to democracy by fighting money laundering worldwide.

However, it is obvious that for the past 30 years, every year more money was laundered and not less.

Current estimates for money laundering stand at 4.2 \$ trillion.

This is more than double of the worldwide military expenses every year.

The huge illicit financial flows and money laundering are the new battlefields.

The FATF has clearly failed its mission.

My statements should be seen as call to restructure, support and properly finance the international organization like the FATF and the Egmont Group and not as criticism of the staff.

Sarah, Jerome and their colleagues deliver the best job possible within the given international AML/CFT-framework

However, the political and regulatory framework for the global fight against ML/FT is flawed.

The 40 recommendations are soft law.

The so-called name and shame list and the mutual evaluations are politically influenced.

Some country assessments are fantasy reports.

The outcomes of FATFs plenaries resemble decisions by the FIFA congress.

As long as the FATF was a club of democracies this was manageable.

By inviting Russia and China as decision making FATF members the situation changed dramatically.

Like other international organizations, the FATF was successfully infiltrated and reshaped by its new autocratic members.

From the 37 FATF members, 9 are not democratic.

The membership of the Russian federation is resting for the moment.

Autocracies have no interest in fighting ML/FT unless it serves their rulers.

Autocracies successfully use the FATF's 40 recommendations to silence and destroy their opposition. Examples are the democracy movement Hongkong and the Navalny foundation.

But also, the western democracies seem not to be interested in the fight against ML/FT.

The honorable Secretary of the Treasury Yellen said in a public speech in December 2021.

"The US is the best place to hide and launder illicit money."

I am working with the EU Commission since 2004 and filed 5 complaints against Germany with the Commission of which two turned into infringement cases.

Therefore, I am entitled to conclude that the EU Commission has no interest in fighting ML/FT.

Actually, none of the 27 EU member states is complying with the EU anti-money laundering directive.

Unbelievable, but true, it can get worse.

On Nov. 22, 2022 the European Court of Justice decided that the beneficial ownership registers of companies are not accessible to the general public.

Democracy, the rule of law, human rights as well as transparency should be indivisible.

The reporting entities and the public play a pivotal role in the fight against ML/FT and should get unhindered access to all necessary information.

The German Ministry of finance recently reported that the German FIU has a backlog of more than 100'000 unprocessed SARs accumulated over a three years period.

Investigations for obstruction of justice are ongoing.

Some comments on the ongoing Ukraine war:

For 11 months the Ukraine is faced with a war of aggression which is turning into a war attrition.

Western stockpiles of weapons and ammunition are depleting and the announced sanctions have only a limited effect.

When enforced, sanctions could inflict severe economic pain to Russia.

The Russian news agency Tass reported in September that a record-breaking 11'000 sanctions were introduced by the west against Russia.

It should be difficult to enforce 11'000 sanctions especially when we have little knowledge about the whereabouts of the sanctioned assets.

The Ukraine is plagued like other countries by corruption.

Without a bold reform, the needed finances to rebuilt the country's civilian infrastructure could be misused.

In Afghanistan more than 30% of the \$ 145 billion support provided by the US disappeared.

The original Marshall plan from 1948 for 16 European nations was successful because the flow and use of the funds were directly controlled by the US president and the US congress. Accountability.

To fight corruption and the illicit financial flows the Ukrainian Parliament filed on July 29, 2022 an appeal to the G-7 and EU to finally establish a functioning AML/CFT regime.

The appeal was approved with no dissenting votes and only some abstentions.

Not surprisingly, no answer from the G-7 nor the EU was received so far.

The theme of the Munich conference early this year was unlearning helplessness.

We have to focus on our strength again and ask the question, what are we fighting for.

Evidence for all statements can be provided.

Thank you for your attention.